

**Summary:**

**Organizational Evaluation**

**Performance Measures**

**FY 2015-2016**



The following summary includes highlights categorized by goal and does not encompass the full range of the agency's accomplishments during Fiscal Year 2015-2016 (FY 15-16). For a more detailed review, please refer to the *ORS Organizational Evaluation: Performance Measures FY 15-16*.

**Mission: The ORS represents the public interest by balancing the concerns of the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina.**

**Goal: The ORS is responsive to the public.**

- ◆ **Consumer Complaints and Inquiries.** Processed approximately **1,929** complaints and inquiries and saved customers approximately **\$203,161**. Three annually recurring savings are included in this total. They are as follows: \$102,972 (originating in FY 12-13) as the result of the ORS recovering this amount for a sewer customer; \$4,079 and \$19,522 (originating in FY 13-14) due to resolution of complaints for two sewer customers.
- ◆ **Consumer Advocacy.** Helped consumers navigate affordability issues through mediation and education. South Carolina laws and regulations provide energy consumers with many "safety net" programs to try to ensure uninterrupted electric service. Provided both consumers and utilities the support to arrange installment payments, extensions to payment due dates, manageable security deposits, and access to community financial assistance resources. Worked with consumers and utilities to recover funds due to erroneous charges, refunds of deposits, unauthorized charges, incorrect rates being charged, or disputes about charges.
- ◆ **National Consumer Protection Week.** Sponsored several outreach activities during National Consumer Protection week in coordination with the S.C. Department of Consumer Affairs, WLTX, Harvest Hope Food Bank, and Shred 360. The events were designed to educate consumers about their basic rights and consumer protections related to investor-owned utility companies.
- ◆ **Consumer Education Materials.** Distributed to social-service and community-action agencies over **38,000** printed educational materials on a variety of consumer-education topics within the utility regulation field, up from approximately 33,000 the prior fiscal year. The mail-outs also included several hundred copies of the S.C. Emergency Management Division's *Severe Winter Weather Guide*.

- ◆ **Thousand-year Flood.** The unprecedented flooding in October 2015 put all of South Carolina to the test. The swift action and sustained efforts of a strong partnership among SCEMD, the ORS, other state agencies, and all the electric suppliers – investor-owned, cooperatives, municipalities, and Santee Cooper – brought a much needed measure of comfort and relief to flood victims. From the onset of flooding, the ORS staff worked tirelessly with the utilities to restore power and repair infrastructure. SCE&G, for instance, lent its expertise to save Beaver Dam in Wildewood and, consequently, many homes located downstream.
- ◆ **Emergency Management during Flood.** Devoted over 645 man-hours to the ESF-12 (Energy) function during the 11-day period that ESF-12 was activated. At the time of this writing, the ORS continues to participate in a recovery task force for the October flooding event.
- ◆ **Inclement Weather and Emergency Management.** Devoted 71 man-hours while activated during Winter Storm Jonas in January 2016. At the height of this storm, 31,000 outages existed, mostly in the service areas of Duke Energy and Blue Ridge Electric Cooperatives. During this event, the ORS found that changes implemented for its EMD-designated staff after the October flood event, such as a reduction in EMD shifts from 12 to 8 hours, worked well. With the experience gained in each emergency event, the ORS fine-tunes its emergency-management processes so that the agency is even better prepared to aid the public in the next emergency situation.
- ◆ **South Carolina Equipment Distribution Program.** Continued its outreach around the State. Received and reviewed 820 applications, approved 676 applications, shipped 1,709 pieces of equipment, and coordinated and processed equipment installation for 74 clients.
- ◆ **Education for Water/Wastewater Utilities.** Co-hosted a Water and Wastewater Workshop with the PSC. Over 40 representatives of water/wastewater utilities were in attendance. Technical experts provided valuable information to company representatives on trends in the water and wastewater regulatory arena as well as helpful tips on maintaining compliance.
- ◆ **Pipeline Safety - Best Practices.** The Pipeline Safety Department continued its record of excellence and collaboration. Shared best practices through attendance and participation in a variety of venues including two National Association of Pipeline Safety Representatives conferences, multiple Utility Coordinating Committee meetings around South Carolina, and teleseminars on new technological tools in pipeline safety. Inspectors participated fully in federal training required by the Pipeline and Hazardous Materials Safety Administration (PHMSA).

- ◆ **Pipeline Safety Conference held in Columbia.** Co-hosted bi-annual conference with the American Public Gas Association/Security and Integrity Foundation held in Columbia. Approximately 130 attendees, mostly South Carolina gas operators, benefited from the information presented by a variety of speakers.
- ◆ **Pipeline Safety - Safe Digging Month.** Promoted *National Safe Digging Month* in April. South Carolina 811 is the State's toll-free one-call notification service to help the general public and professional excavators obtain information on the location of underground cables and mains as most natural gas incidents in South Carolina are caused by third-party damage. Governor Haley issued a proclamation declaring April 2016 as *Safe Digging Month* in South Carolina.
- ◆ **Deposit Waiver for Domestic Violence Victims.** Benefited **33** individuals who were victims of domestic violence. This program resulted from an innovative agreement facilitated by the ORS with each of the investor-owned electric and gas utilities and women's shelters to waive the initial credit and deposit requirements for domestic violence victims. Since inception, the program has benefited **342** individuals.
- ◆ **Accessibility to Stakeholders.** Followed a policy of accessibility and responsiveness to all stakeholder groups. In FY 15-16, the ORS responded to **55** requests from state lawmakers and **106** requests from the media.

**Goal: The ORS promotes excellence  
in each regulated industry.**

- ◆ **Emergency Management Preparedness.** Participated and took a lead role in emergency preparedness training and simulation events with SCEMD throughout the year. One national-scale example that occurred in FY 15-16 was the "Southern Exposure" event. This event was a full-scale exercise that simulated a nuclear release at the HB Robinson Station in Hartsville. As this was a national exercise, all federal and state government entities that would be involved were present. These included the U.S. Department of Energy, the Nuclear Regulatory Commission, the Federal Emergency Management Agency, and the N.C. Public Staff, among others.

- ◆ **Rail Safety.** Conducted both track and operating practices (OP) inspections around the State. For the track and OP disciplines combined, conducted **275** rail safety inspections and issued **750** rail safety defect citations. Responded to **156** technical railroad safety-related inquiries from railroads, industry, and the general public.
- ◆ **Rail Safety and Positive Train Control.** Collaborated with the Federal Railroad Administration, the Association of State Rail Managers, and the railroad industry on the upcoming implementation of Positive Train Control (PTC), an accident-prevention system that Amtrak and most trains that travel on any main lines will be required to have. While it was supposed to be in effect by the end of 2015, a bill was passed in Congress in October that allows an extension to this deadline until 2018. The extension will give the rail companies more time to retrofit trains to meet the requirements.
- ◆ **Pipeline Safety Inspections.** Conducted **11** transmission-comprehensive inspections in several locations around the State and completed all by February 2016, well ahead of the federally mandated deadline of December 31, 2016. Conducted a total of **251** inspections in FY 15-16.
- ◆ **Pipeline Safety Performance Score.** The audit of the Pipeline Safety Program for calendar year 2014 by PHMSA resulted in scores of 48 out of 50 for the progress score and 99 out of 100 for the program evaluation score, which combine for an overall performance score of **98**. Most of the point deduction was due to South Carolina's civil penalties, which are set by the General Assembly, being lower than the federal criteria. The ORS continues to be successful in achieving natural gas operator compliance by maintaining a cooperative working relationship with natural gas operators.
- ◆ **Pipeline Safety and Emergency Management.** Served as a leading partner in the formation and promotion of the South Carolina Pipeline Emergency Response Initiative (SC PERI) created to plan for and better organize training for first responders in natural gas-related emergencies. SC PERI is a collaboration among the ORS, PHMSA, first responders, representatives from 811, law enforcement, county emergency managers, gas operators, and firefighters. At the time of this writing, the ORS has successfully garnered the support of the State Emergency Response Committee, SLED, and the State Fire Marshal, which is critical to the success of SC PERI.
- ◆ **Regulatory Reviews and Audits.** Conducted a total of **325** regulatory reviews and audits.
- ◆ **Water/Wastewater Annual Report Compliance.** Achieved **98%** (up slightly from 96% last year) compliance in water/wastewater utilities' submission of annual reports. This increase was due to assisting one additional utility with timely filing of its annual report.

- ◆ **Water/Wastewater Performance Bond Compliance.** Achieved **98%** compliance level for water/wastewater companies complying with performance bond regulations. As in the prior FY, this percentage reflects one company's failure to provide a complete, updated financial statement. At the time of this writing, the ORS is attempting to work with this utility to achieve compliance with its performance bond.
- ◆ **Water/Wastewater Rate Cases.** Successfully managed and settled three water/wastewater rate cases. Carolina Water Service (CWS) filed a rate case as its consolidated entity on June 30, 2015. After months of hard work by ORS staff, including attendance at several night hearings, the case was settled in November 2015, thus saving customers **over \$1 million**. The other two rate cases – Daufuskie Island Utility Company, Inc. and T.J. Barnwell Utilities, Inc. – were also settled. The Daufuskie settlement produced savings of **over \$700,000**. (For more details on these three cases, see the *Notable Cases* section of this report.)
- ◆ **Household Goods Carriers Enforcement.** Because the number of Household Goods (HHG) carriers seeking authority to operate continues to increase, took steps to ensure uniformity in HHG inspections across the State. These steps included training for ORS inspectors and the implementation of newly standardized procedures.
- ◆ **Consumer Services.** Conducted a total of **14** Customer Relations Compliance Reviews (CRCRs) of utility companies, down slightly from 16 the prior FY. The ORS continued to focus on the CRCRs of larger utilities and, due to the complexity of those reviews, was not able to complete as many CRCRs during the fiscal year.
- ◆ **Transportation Compliance Audits and Education Efforts.** Conducted **164** compliance audits, both planned and random, around the State. In educating carriers on compliance requirements, provided **1,131** technical assistance interactions with companies.
- ◆ **Transportation Inspections.** Conducted **5,243** vehicle inspections around the State; of that total, **1,200** were inspections of Transportation Network Carrier (TNC) partners.
- ◆ **Telecommunications** – As a result of Commission Order 2016-22 that found wireless telecommunications companies compete with wireline and therefore (according to state law) must contribute to the State USF, began the process of modifying the guidelines, worksheet, and instructions for the State USF. This process will continue into FY 16-17.



- ◆ **Rail Safety and Emergency Management.** Continued to assist with issues arising from the flooding in early October, which damaged track infrastructure and also eroded land surrounding the tracks. Collaborated with the S.C. Emergency Management Division on a simulation exercise of a derailment cast as an act of terror involving a spill of chlorine and acetone.

### **Goal: The ORS' operations provide value to the citizens of South Carolina.**

#### **Settlements:**

- ◆ During Fiscal Year (FY) 15-16, the ORS participated in **106** cases and facilitated **18** settlements and agreements with total projected savings to consumers of approximately **\$31 million**. Since its inception, the ORS has facilitated a total of **448** settlements and agreements with monetary savings of **over \$1.6 billion**. Below is a detailing of the approximately **\$31 million** in savings for FY 15-16.

<b>Matters</b>	<b>Savings (\$)</b>
2015 Base Load Review Act revised rates	\$5,122,719
Daufuskie Island non-settlement savings	\$1,354
Piedmont Natural Gas RSA	\$4,790,000
SCE&G accounting order – new depr. rates	\$14,488,742
International Paper Company	\$4,444,524
Daufuskie Island rate case	\$719,503
Carolina Water Service rate case	\$1,152,951
Duke Energy Progress (DEP) DSM	\$22,906
DEP annual fuel review	\$73,204
Guerin Creek non-settlement savings	\$196
<b>Total</b>	<b>\$30,816,099</b>

A few notable cases are summarized below:

- ◆ **BLRA revised rates. 2015-160-E.** On September 23, 2015, the Commission approved a rate increase for SCE&G under the Base Load Review Act (BLRA). SCE&G requested to raise rates by \$69,648,000. The ORS reduced this amount by **\$5,122,719** for a net increase of \$64,525,281, which was approved by the Commission. This is an overall increase to retail customers (excluding lighting) of 2.57%. For residential customers using 1000 kWhs monthly, this is an increase of approximately \$3.71 per month. The total monthly bill will be \$149.58, of which \$23.17 (or 15.5%) is attributable to the nuclear construction. The cumulative amount projected to have been spent on V.C. Summer Units 2 and 3 (Units) by December 31, 2015, was approximately \$3.575 billion.

- ◆ **PNG RSA. 2015-7-G.** The ORS conducted a review of Piedmont Natural Gas (PNG) and proposed certain accounting adjustments. PNG filed written comments advising the Commission that PNG had no objection to or comments on the findings and adjustments. A settlement agreement was reached by and among PNG and the ORS, whereby PNG will implement rates for the current review period calculated on a basis of a 10.2% return on equity (ROE), instead of the 12.6% ROE approved by the Commission. Due to this reduction in ROE, as well as the various accounting adjustments, ratepayers will realize a total savings of **\$4,790,000**. The new approved rates and charges became effective for bills rendered on and after the first billing cycle in November 2015.
- ◆ **International Paper. Appellate Case No. 2013-001607 (SC Ct. App.).** International Paper applied for tax credits for 2010, 2011, and 2012 totaling \$14,936,362.00. The ORS settled the appeal pending in the S.C. Court of Appeals (based on the Energy Office's denial of the tax credit application) for \$10,491,838.00. The resulting savings figure is **\$4,444,524**.
- ◆ **Petition of SCE&G for an Accounting Order to Adopt New Depreciation Rates Effective January 1, 2015. 2015-313-E.** Based on SCE&G's 2015 Depreciation Study, there is an estimated annual decrease in depreciation expense of approximately \$29 million. SCE&G requested that the results of the lower depreciation expense be allowed to flow through the Company's operating income, which is standard treatment for such an item. The ORS supported the Company's application. In addition, approximately **\$14.5 million (\$14,488,742)** of this reduction was used to offset the Company's deferred fuel balance related to its retail electric generation operations.
- ◆ **DEP DSM. 2015-323-E.** Duke Energy Progress (DEP) requested an increase in its DSM-EE rider of \$3.05 for a residential customer using 1000 kilowatt hours. The ORS recommended, and the Commission approved, a decrease to their request totaling **\$22,906**. This adjustment reduced DEP's monthly increase per residential customer to \$2.99. The average DEP residential customer using 1000 kilowatt hours a month is billed approximately \$104.77.
- ◆ **Carolina Water Service. 2015-199-WS.** As part of the rate case process for Carolina Water Service (CWS), the ORS facilitated a settlement that netted a savings to customers of **\$1,152,951**. This was the first rate case involving CWS following the merger of Utilities, Inc.'s four subsidiaries in South Carolina – Carolina Water Services, Inc.; Utilities Services of South Carolina, Inc.; United Utility Companies, Inc.; and Southland Utilities, Inc.
- ◆ **Daufuskie Island. 2014-346-WS.** A savings of **\$719,503** was achieved in the Daufuskie Island Utility Company, Inc. (DIUC) rate case between the ORS and the intervenors which included the property owners associations for Bloody Point, Haig Point, and Melrose. The utility refused to agree to a settlement in the matter. The Commission issued an order approving a rate increase along



with the settlement reached between the ORS and the intervenors. This case has been appealed by the Company to the S.C. Supreme Court and, at the time of this writing, is pending.

- ◆ **Daufuskie Island non-settlement savings. 2014-346-WS.** In an audit conducted as part of the review in this case, the ORS discovered that Daufuskie Island Utility Company, Inc. charged an incorrect commodity rate to its sewer customers in the Melrose service area. Sewer customers were charged a commodity rate of \$1.95 per 1,000 gallons of usage versus the approved rate of \$1.77 per 1,000 gallons. The amount totaled approximately **\$1,354** for the overcharges dating back to the initial billing period of October 2012.
- ◆ **TJ Barnwell. 2015-201-S.** The ORS and T.J. Barnwell Utility, Inc. were able to reach an agreement on a settlement of the utility's rate case. While the settlement did not result in any direct savings to the customers, the settlement offers the utility the opportunity to continue to provide adequate service to its customers at reasonable rates.
- ◆ **Petition for Inclusion of Wireless Carriers to Contribute to State Universal Service Fund. 2015-290-C.** The ORS supported the petition of the South Carolina Telephone Coalition and presented testimony at a contested case hearing before the Public Service Commission on November 3, 2015. On January 26, 2016, the Commission issued an order addressing wireless-wireline competition in the telecommunications industry. The order, finding wireless carriers are in direct competition with wireline carriers, had the effect of requiring wireless carriers to contribute to the State Universal Service Fund. This matter was one of the most public issues the ORS was involved in during FY 15-16.
- ◆ **DEP Fuel. 2016-001-E.** The ORS reviewed and recommended an adjustment (savings to customers) of **\$73,204**. This adjustment was due to removing certain purchased power costs as a result of an extended outage at Brunswick Unit 2 in North Carolina. The settlement agreement executed by all parties in this case reduced the Total Fuel Factor for DEC residential customers to 2.47 cents per kilowatt hour. This reduction in the Fuel Factor produces a savings of \$2.77 per month for the average residential customer using 1,000 kilowatt hours per month.
- ◆ **Guerin Creek. 2015-289-WS.** Guerin Creek Wastewater Utility, Inc. (Guerin Creek) was ordered by the Commission on May 24, 2016, to reduce its monthly sewer rates from \$15 per customer to \$1 per customer. A hearing was held on May 11, 2016, concerning Guerin Creek's failure to file annual reports and post bond in compliance with Commission rules and regulations. This is the first such action brought by the ORS against a regulated water/wastewater utility. The reduction in rates shall remain in effect until such time as Guerin Creek comes into compliance with the applicable statutes and regulations and

files updated annual reports and posts an adequate bond or personal financial statement. The total annual savings to the 14 customers of Guerin Creek is **\$196**.

### **Energy Office Savings to the Public:**

- ◆ Saved the public more than **\$32.8 million** through a variety of energy efficiency initiatives through the ORS Energy Office including:
  - Award of 8 energy efficiency mini-grants
  - Award of 26 Accredited Commercial Energy Manager certifications
  - Recognition of 6 school districts as having reached their milestones under SC code 48-52-610 through 680 and 48-52-910. Also known as the 20/20 rule, this mandate requires state agencies, public colleges and universities, and K-12 schools to reduce energy consumption by 20% by the year 2020 over a year 2000 baseline.
  - Provision of four energy audits on buildings totaling nearly 600,000 sq. feet
  - Retrofit of 12 buildings with a total square footage of 1.4 million sq. feet
  - Award of grants and loans for energy-saving projects expected to save the public more than \$4.5 million
  - Technical assistance through 25 site visits
  - Approval of more than \$1.66 million in renewable tax credits and incentives
  - Benchmarking of state agencies and school districts to show an additional 2% increase in compliance with energy reduction requirements over the prior year

### **Economic Development:**

- ◆ **Economic and Regulatory Outreach.** During FY 15-16, the Executive Director briefed representatives of national investment firms, research groups, and trade publications on issues of interest to them in South Carolina including the State's regulatory environment, the V.C. Summer nuclear construction and the Base Load Review Act audit, and solar leasing, among others.
- ◆ **Industry Recruitment and Retention.** Provided **81** letters of support regarding requests by electric and gas utilities for various financing options, special purchases, tariff modifications, or industrial incentives, which aid in the recruitment of new industry, retention of existing industry, and the financial health of South Carolina. Examples of major economic incentives supported, listed below, total approximately **\$1.188 billion** and create more than **2,000** jobs in South Carolina over the next several years.
  - BOMAG – a producer of milling machines, asphalt pavers, and other road-building equipment – is establishing its North American headquarters in Ridgeway, S.C. Economic benefit: \$18.2 million and 121 new jobs over 5 years.

- Boeing Company – 3 new facilities that are part of an expansion program in North Charleston announced by Boeing in 2013 and 1 Green Power amendment to an existing contract. Economic benefit: \$1 billion and 2,000 jobs over the next decade.
  - Ritedose – a leading pharmaceutical products manufacturer – expanding its operations in S.C. and adding capacity to its facility in the Carolina Research Park in Richland County. Economic benefit: \$110 million and more than 65 new jobs in 5 years.
  - Michelin North America – investing in a rubber-processing plant in Lexington County. Economic benefit: \$60 million with 12 new jobs expected to be created by late 2016.
- ◆ **Foothills Transmission Line and Campobello Substation.** The proposed construction by Duke Energy of a substation in Campobello, S.C. and proposed siting of a 45-mile transmission line between Asheville, N.C. and the new substation was a controversial issue that drew the interest and ire of landowners in the proposed areas. The ORS asked for and was granted a public hearing on the matter to be held in the area affected. Those who spoke at the heavily attended hearing expressed concern that the lines would detract from the area's appeal, as it is well known for its scenic beauty, and therefore would be detrimental to the region's economic health and development. Furthermore, many expressed concern that Duke had not demonstrated sufficient need. Under the leadership of the Executive Director, the ORS worked closely with Duke Energy, the landowners, and other stakeholders to resolve the issue. Duke Energy announced in November 2015 its decision that the Foothills transmission line and Campobello substation were no longer needed for its revised Western Carolinas Modernization plan. The resulting plan was clearly better for all.
- ◆ **SCE&G's V.C. Summer Units 2 and 3.** As mandated by the Base Load Review Act (BLRA), the ORS continuously monitors the construction of V.C. Summer Units 2 and 3 (Units). The Units, which are AP1000 plants, are evaluated on an ongoing basis for compliance with the approved budget and schedule. Construction of the Units has created as many as 3,700 jobs, and it is forecasted that approximately 800 permanent jobs will be added when the Units begin generating electricity.

The ORS is supportive of the construction of the Units and of the BLRA. The ORS believes that the Units will be the key to our economic development, to reliable and affordable electricity, and to meeting the goals of reducing our carbon footprint. With today's technology, nuclear is the single greatest base load carbon-mitigation energy resource available.

The ORS also believes that maintaining financial integrity for utilities is crucial so that they can raise the necessary capital to invest in and maintain the infrastructure required to provide adequate and reliable service. Nevertheless, with the construction delays and budget increases that have occurred, the ORS determined in FY 15-16 that it was reasonable to examine whether the revised rates provision – which provides for recovery of the financing cost (or cost of capital) on an annual basis – continued to be to the customers' benefit. An independent audit by Elliott Davis Decosimo confirmed that the revised rates methodology under the BLRA is indeed cost beneficial to customers. In addition to being in the customers' financial interest, the BLRA is in the State's public interest. The cost savings, as confirmed by the independent analysis, and the coverage of cost of capital under the BLRA allow for the construction of a reliable, greenhouse-gas free source of generation for decades to come.

The analysis confirmed that, in accordance with the BLRA, allowing the Company to establish annual revised rates and collect additional revenue during the construction of the Units will reduce the total costs to construct the Units by approximately \$1 billion, compared to accumulating the financing cost over the life of the construction of the Units. In addition, the aforementioned reduction in total construction costs will reduce future depreciation and cost of capital of the Units by approximately \$4 billion over the Units' estimated 60-year life.

Construction continues to make progress, with 36 of the 146 BLRA milestones remaining as of June 2016. However, the project has been plagued by challenges including, among others, the dissolving of the project's consortium; exit of CB&I; arrival of Fluor; new engineering, procurement and construction contract; increase in the budget; and a further delay in the construction schedule.

The ORS believes it is possible that Unit 2 may still be able to qualify for the Federal Production Tax Credits (FPTC) that expire on December 31, 2020, even though it is unlikely that it will meet the August 2019 substantial completion date requested in SCE&G's most recent filing. Completing Unit 2 in time to receive the FPTC will require improvements to the current construction methodology. It is less likely that Unit 3 can be completed in time to meet its current FPTC deadline of December 31, 2020.

At the time of this writing (August 2016), the Executive Director is fielding calls from investment analysts who are interested in the ORS' views of SCE&G's most recent requests regarding the construction of Units 2 and 3 at V.C. Summer:

- A \$74.161 million increase under the revised rates procedure pursuant to the Base Load Review Act

- Review of SCE&G's request to extend the construction schedule and increase the capital costs by \$852 million (SCE&G's 55% share) for the two nuclear units currently under construction.

Regarding the latter, the ORS and Executive Director continue to review SCE&G's petition for the \$852 million budget increase and a construction delay to reflect new substantial completion dates of August 2019 and August 2020 for Units 2 and 3, respectively. This petition by SCE&G has drawn more intervenors, public scrutiny, and Wall Street interest than ever. Investment analysts' overriding concern is whether the ORS and SCE&G will reach a settlement agreement.

**Goal: The ORS is alert and anticipates state and federal regulatory and industry developments and their effects on South Carolina.**

Monitored and took action when necessary in federal and state regulatory and marketplace developments -- on behalf of the balanced concerns of the public interest -- to include the following:

- ◆ **State Energy Plan.** The ORS began work on the State Energy Plan, a multi-year effort that is of great significance to the future of South Carolina and its citizens. The Plan has two phases, described below.
  - **Phase I.** In FY 15-16, an initial draft report (Phase I) was produced that covers baseline information providing the foundation for Phase II, the policy phase. This baseline report is a snapshot of South Carolina's electric and natural gas systems, transmission, and energy-use patterns. It also provides information about energy used for transportation, relevant state and federal laws, and demographic and economic statistics. The baseline document includes a 5- and 10-year outlook, which serves as a bridge to Phase II work.
  - **Phase II.** At the time of this writing (August 2016), Phase II is underway with subcommittees working to produce actionable items to plan for South Carolina's future. Phase II involves the engagement of a number of stakeholders in the process of identifying policy recommendations for actions that will ensure a stable, equitable energy future. Subcommittees addressing electric and natural gas resource planning, DSM/EE and renewables, state agency energy use, environmental justice and economic development, and transportation have already produced preliminary policy recommendations. These policy recommendations are intended to guide possible administrative and/or legislative action, or the creation of study committees to focus on a specific policy need.

A snapshot follows of the extent of collaboration and coordination that has occurred to date in this monumental effort:

- Two committees and twelve subcommittees met dozens of times. Collectively, these groups have 125 members representing 45 organizations and a wide variety of stakeholders. Included among these are utilities, conservation groups, industrial and commercial interests, state agencies, sharp legal minds, and other parties who wished to be involved in the process.
  - Multiple surveys were designed to solicit input from a variety of stakeholders, and several public engagement sessions were held to allow for the general public to provide input.
  - Thus far, nearly 100 reports, informational submissions, analyses, and other documents have been produced by the various subcommittees.
- ♦ **Act 236 – Net Metering and DER Programs.** Continued to fulfill responsibilities arising from Act 236, or the Distributed Energy Resource (DER) Program Act. Worked with stakeholders to complete reports required by Act 236, including a cost-shifting report that was due by December 31, 2015 and a DER and net metering implementation report that was due in July 2016 (completed at the time of this writing). In addition, successfully worked with a wide array of stakeholders to revise the interconnection standards for the electric investor-owned utilities. Stakeholders in each of these included, among others, the electric IOUs, conservationists, large industrials, solar advocates, and electric cooperatives.
  - ♦ **Act 236 – Solar Leasing.** Implemented the third-party solar leasing program that began after Commission approval of the electric net metering tariffs. By the end of FY 15-16, certified 16 solar leasing companies; additional applications are pending at the time of this writing.
  - ♦ **Transportation Network Carrier Regulation.** FY 15-16 marked the first full fiscal year of regulating TNCs after passage of legislation (H.3525) during FY 14-15 that created a regulatory framework for TNCs in South Carolina. The ORS worked with a variety of stakeholders – concerned consumers, legislators, the media, municipalities, counties, and airport commissions, among others – to respond to inquiries and concerns and to educate them regarding TNC regulatory requirements. Near the end of FY 15-16, a second authorized TNC, Lyft, received its certificate and began operations in the Charleston and Savannah markets; the latter includes Hilton Head. At the time of this writing, staff is establishing similar practices with Lyft, such as the quarterly conference call, to those it has with its competitor, Uber.
  - ♦ **Telecommunications – Rollout of new 854 area code.** Completed the process that began in FY 13-14 to roll out a new 854 area code within the 843



area code region. The ORS provided oversight for the transition to optional (in FY 14-15) and then to mandatory 10-digit dialing in the 843 area code region and, finally, to the introduction of the new 854 area code in that region. A press release in September 2015 informing consumers of the transition generated considerable media interest and coverage by several news outlets in that portion of the State.

- ◆ **Best Practices.** Attended industry-specific workshops and meetings both regionally and on the national level to discuss trends and emerging issues that could affect South Carolina's utility customers.

### **Federal Matters**

- ◆ **Comments on EPA's Clean Power Plan (Proposed Rule EPA-HQ-OAR-2013-0602).** The ORS engaged in a year-long effort with the DHEC Bureau of Air Quality Stakeholders Group (including representatives of DHEC, conservationist groups, and utilities) to anticipate and examine issues related to the EPA's Clean Power Plan, also known as Proposed Rule 111(d). Issued on June 2, 2014, the Proposed Rule pertains to the reduction of greenhouse-gas emissions from existing fossil-fuel-fired generating units. It has been estimated that the Rule, as proposed, could cause substantial increases in the rates and bills for electricity in South Carolina with the potential to also adversely affect the reliability of electric service. The ORS prepared comments and contributed to others' comments, all of which were filed in December 2014. These comments recommended several modifications to the Proposed Rule that would make it more workable for South Carolina.

On August 3, 2015, the EPA issued a notice containing the final rule on the Clean Power Plan (CPP). The Final Rule was published in the *Federal Register* on October 23, 2015 and was due to become effective 60 days after publication. The Final Rule made a number of changes in response to comments filed by the ORS, DHEC, and other stakeholders in South Carolina. The ORS continued working with DHEC and other stakeholders in reviewing the Final Rule and in development of a State Implementation Plan (SIP) to comply with the Final Rule. Several appeals to the Final Rule were filed in federal court, and in February 2016, the Supreme Court of the United States stayed implementation of the CPP pending resolution of the legal challenges. Following the issuance of the stay, the ORS has ceased working on the CPP until such time as the legal challenges are resolved.

Prior to issuance of the aforementioned stay, the ORS participated in the following two related dockets:

- **Comments on EPA's Clean Energy Incentive Program (CEIP) Design and Implementation (EPA Docket No. EPA-HQ-OAR-2015-0734).** The ORS worked with DHEC and other stakeholders to develop and file

comments on this program. The EPA's CEIP was designed to encourage early investment in renewable energy (RE) generation and demand-side energy efficiency (EE) measures that generate carbon-free MWh or reduce end-use energy demand during 2020 and/or 2021. This EPA docket and the comments filed are associated with the EPA's Clean Power Plan.

- **Comments on EPA Federal Plan Requirements: Greenhouse-Gas Emissions from Electric Utility Generating Units Constructed on or Before January 8, 2014; Model Trading Rules and Amendments to Framework Regulations (EPA Docket No. EPA-HQ-OAR-2015-0199).** The ORS worked with DHEC and other stakeholders to file comments in this docket, which is associated with the EPA's Clean Power Plan.
  
- ◆ **NC WARN Complaint (FERC Docket No. EL15-32-000).** NC WARN, a conservationist activist group based in North Carolina, filed a complaint with the FERC alleging excess capacity in the Southeast. A courtesy copy of the filing was sent to the PSC, thus prompting the PSC to require all South Carolina electric IOUs (including Lockhart Power) to file a response by February 9, 2015. All have done so, with the consensus being that South Carolina is not the proper jurisdiction for the issues put forth by NC WARN in its FERC filing. The ORS filed with the FERC a motion to intervene in the proceeding and, by an order issued on April 30, 2015, the FERC denied NC WARN's complaint. NC WARN filed a Motion for Reconsideration in May 2015, and in November 2015, FERC denied NC WARN's request for rehearing.
  
- ◆ **Atlantic Coast Pipeline Project and Supply Header Project (FERC Dockets No. CP-15-554, CP-15-555, and CP-15-556).** The ORS intervened in these dockets that pertain to the construction and operation of the Atlantic Coast Pipeline Project, Supply Header project, and associated facilities. Prior to these dockets being established, the ORS monitored FERC Dockets No. PF15-6-000 and PF15-5-000, which were the dockets established by FERC for the pre-filing activities related to the Atlantic Coast Pipeline Project. The Atlantic Coast Pipeline Project is an undertaking of Atlantic Coast Pipeline, LLC (a joint venture consisting of subsidiaries of Dominion Resources, Duke Energy, Piedmont Natural Gas, and AGL Resources) involving the construction and operations of approximately 554 miles of natural-gas transmission pipeline and associated above-ground facilities in West Virginia, Virginia, and North Carolina.
  
- ◆ **Federal Energy Regulatory Commission v. Electric Power Supply Association, et al. (Case Nos. 14-840 and 14-841).** The ORS joined an *amicus curiae* brief with the North Carolina Utilities Commission and other states in this case before the Supreme Court of the United States. The *amicus curiae* brief supported a Court of Appeals decision striking down a FERC rule that encroached on state authority to regulate the retail markets.

**Goal: The ORS' operations are marked  
by professional excellence.**

- ◆ **Completed the transition of Energy Office.** Successfully completed the administrative and budgetary processes necessary for the creation of the Energy Office within the ORS as mandated by restructuring legislation. This transition process began in the prior fiscal year, with the physical move of the Energy Office to the ORS completed in March of 2015.
- ◆ **Budget.** Continued to monitor expenses on a regular basis.
- ◆ **Cyber Security.** Continued to develop and implement plans, processes, and procedures to address cyber security protection. Participated in meetings, focus groups, and training led by the S.C. Division of Information Security and the S.C. Division of Technology.
- ◆ **Ethics.** Provided 6 hours of annual ethics training for all ORS employees.
- ◆ **Staff Development and Training.** Provided ongoing training and development to employees through classes, seminars, conferences, site visits, and special meetings. Continued to provide training and resources to enhance knowledge in the regulatory industries.
- ◆ **Agency Staffing.** Reviewed and revised position descriptions. Initiated a strong recruitment effort for talent acquisition to fill the current and future needs of the ORS.
- ◆ **Agency Reorganization.** Created the Utility Rates and Services division at the ORS to improve service delivery and streamline business processes, thus maximizing the benefit to stakeholders.
- ◆ **Workforce Planning.** Due to pending retirements, continued to assess the agency's core functions and plan career development and career paths for employees.
- ◆ **Collaboration.** Worked collaboratively with federal, state, and local agencies and organizations to further the mission of the ORS. Coordination of services among these organizations has been a priority to effectively meet the mandates of Act 175 and to efficiently utilize funding provided by utilities and, ultimately, the consumers.

State and local agencies and organizations include, but are not limited to, the following:

- Governor's Office
- S.C. General Assembly
- State Regulation of Public Utilities Review Committee (PURC)
- S.C. Public Service Commission
- S.C. Emergency Management Division
- S.C. Department of Administration – Division of Technology Operations
- S.C. Business One Stop (SCBOS)
- S.C. Council on Aging
- S.C. Department of Health and Environmental Control
- S.C. Department of Social Services
- S.C. Department of Health and Human Services
- S.C. Highway Patrol
- S.C. Insurance Reserve Fund
- S.C. Department of Insurance
- S.C. Interagency Transportation Coordination Council
- S.C. Department of Parks, Recreation, and Tourism
- S.C. Department of Natural Resources
- S.C. Department of Commerce
- S.C. Department of Revenue
- S.C. Tariff Bureau
- S.C. Department of Transportation
- Santee Cooper
- State Climatology Office
- SC-ETV
- Fleet Management
- State Transport Police
- S.C. Energy Users Committee
- Carolinas Collaborative
- S.C. Solar Council
- S.C. Telephone Association
- S.C. Truckers Association
- S.C. Association of Municipal Power Systems
- Electric Cooperatives of S.C.
- Richland County
- City of Cayce
- City of Greenville
- City of Columbia
- Community Action Agencies
- Community Development Corporation
- Common Ground Alliance
- Medical Transportation Advisory Committee
- Midlands Regional Transit Authority
- Midlands Utility Coordinating Committee (gas pipeline)

- Operation Lifesaver
- Harvest Hope Food Bank
- S.C. Association of School Social Workers
- S.C. Benefit Bank
- Sistercare, Inc.
- Palmetto Clean Energy (PaCE)
- Pee Dee Coalition Against Domestic Violence
- Safe Harbor, Inc.
- Business Licensing Officials Association
- S.C. Biomass Council
- S.C. Businesses for Clean Energy
- S.C. Municipal Association
- S.C. Regional Transmission Planning Stakeholder Group
- SCE&G DSM/EE Advisory Council
- S.C. Small Business Chamber of Commerce
- S.C. Appleseed Legal Justice Center
- Society of Utility and Regulatory Financial Analysts (SURFA)
- Southern Environmental Law Center
- University of South Carolina (i.e., Clean Energy and Jobs Forum)
- Transportation Association of South Carolina
- Telephone Relay System Advisory Committee
- Telephone Equipment Distribution Program Advisory Committee
- S.C. School for the Deaf and Blind
- State ETC Coordinating Group
- S.C. Office of Rural Health
- Coastal Conservation League
- Southern Environmental Law Center
- Conservation Voters of South Carolina

Regulatory organizations, federal agencies, and related groups include:

- National Association of Regulatory Utility Commissioners (NARUC)
- Southeastern Association of Regulatory Utility Commissioners (SEARUC)
- Eastern Interconnection States Planning Council (EISPC)
- National Regulatory Research Institute (NRRI)
- Federal Energy Regulatory Commission (FERC)
- Commodity Futures Trading Commission (CFTC)
- Nuclear Regulatory Commission (NRC)
- Federal Communications Commission (FCC)
- Surface Transportation Board (STB)
- Pipeline and Hazardous Materials Safety Administration (U.S. DOT)
- Federal Railroad Administration (FRA)
- Federal Motor Carrier Safety Administration
- Universal Service Administrative Company (USAC)
- U.S. Congress
- U.S. General Accounting Office (GAO)

- U.S. Department of Energy
- U.S. Environmental Protection Agency
- U.S. Department of Defense – Department of the Navy
- Atlantic Compact Commission
- American Council for an Energy Efficient Economy (ACEEE)
- Consumers for Rail Equity (CURE)
- Gas Technology Institute
- Coal Institute
- Association of Energy Engineers
- Oklahoma Utility Coordinating Committee
- Southeastern Association of Telecommunications Officers and Advisors
- National Association of Pipeline Safety Representatives